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# Commerce Concepts

Market Updates, Asset Allocation, and Investment Education for Plan Participants and Individuals

## Four Reasons Your Parents Might Be in Financial Trouble

As people age, they generally need more help from their adult children. But it may be difficult to provide the help they need if they're experiencing financial trouble.

Money can be a sensitive subject to discuss, especially as the balance of power shifts within a family, but you'll need to talk to your parents about it in order to uncover and address any problems that may become more serious over time if left unchecked. Before you start the conversation, consider the following four scenarios that could lead your parents to experience financial challenges, and how you can make things easier for them.

### 1. They are dealing with debt

Perhaps your parents have fallen behind on their mortgage or credit card payments. Maybe they're dealing with the aftermath of a large, unexpected medical bill. Or it could be that years of generously supporting their children and grandchildren have left their finances in shambles.

Whatever the cause, debt among older Americans is a growing trend. In 2010, the average debt for a family in which the head of household was age 75 or older was $30,288. In 2016 (most recent data available), that number grew to $36,757.

### 2. They are falling for fraud

According to a report by the Federal Trade Commission, older adults are disproportionately targeted for and affected by fraud. Moreover, older adults have reported much higher dollar losses to certain types of fraud than younger consumers.

Why do scammers target older individuals? There are many explanations for this trend. Some older individuals lack an awareness about major financial issues. Others may be attractive targets for scammers because they have access to retirement account assets or have built up home equity. Additional factors which increase an older adult's vulnerability to scams include cognitive decline and isolation from family and friends.

### 3. They aren't used to managing finances

The loss of a spouse can create many challenges for the survivor, especially if the deceased spouse handled the finances. Many widows or widowers might find themselves keeping track of statements, paying bills, budgeting, and handling other financial matters for the first time, which can be a complicated reality to face.

### 4. They struggle with change

As financial institutions continue to innovate and increase online and mobile access to customer accounts, it can be difficult for older consumers to keep up.

*continued on page 4...*

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*(See page 2 for more details)*

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*Visit* ***thecommco.com/commerce-concepts*** *for the answer to last issue's question.*

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Retirement & Investment Services

*Indexes are unmanaged and cannot be invested in directly. Past results are not predictive of future results. Individual results will vary. The trailing returns shown include dividends. See page four for index definitions.*

*Source: Raymond James Financial Services*

*To be entered into a drawing to win a*

***$25 Gift Card,***

*email free@thecommco.com with the answer to this question:*

*In 2016, what was the average debt for a family in which the head of household was age 75 or older?*

# Market Update

Through June 30, 2019

| | | Trailing Returns | | | |
|---|---|---|---|---|---|
| | | 3 mos | 12 mos | 5 yrs | 10 yrs |
| Blue Chip US Stocks | Dow Jones Industrial Average | 3.21% | 12.20% | 12.29% | 15.03% |
| Large Company US Stocks | S&P 500 | 4.30% | 10.42% | 10.71% | 14.70% |
| Small Company US Stocks | Russell 2000 | 2.10% | -3.31% | 7.06% | 13.45% |
| Non-US Stocks | MSCI EAFE (Gross Div) | 3.97% | 1.60% | 2.74% | 7.40% |
| US Bonds | Barclay's Capital US Aggregate | 3.08% | 7.87% | 2.95% | 3.90% |
| Cash Alternatives | ICE BofAML 3 Month US Treasury Bill | 0.64% | 2.31% | 0.87% | 0.49% |

# Economic Snapshot

**Gross Domestic Product (GDP)**

Economic activity has been mixed, but generally slower, with an increased drag from tariffs. Risks are weighted to the downside, but depend on a resolution of trade tensions.

**Employment**

Job markets remain tight. Monthly changes in nonfarm payrolls are volatile, but the underlying trend in job growth has moderated in recent months, partly reflecting labor force constraints.

**Inflation**

Inflation can be either too low or too high and the sub-2% trend in the PCE Price Index is a significant concern for the Fed. Firms have had mixed success in raising prices.

**Manufacturing**

Slower global growth has dampened export growth, while trade policy has raised production costs. Factory output has contracted, but that doesn't mean a recession in the overall economy.

**Housing and Construction**

Continued strength in the labor market and this year's sharp drop in mortgage rates should support housing activity in the near term. Affordability and higher building costs remain key issues.

**Monetary Policy**

The Fed is poised to lower short-term interest rates, if needed. The proximity to the zero-lower-bound means that officials should be more aggressive in lowering short-term interest rates than they would otherwise.

*Investment Strategy Quarterly: Published by Raymond James and Associates, July 2019 . For a complete PDF copy of the July 2019 issue of Investment Strategy Quarterly, click here or email newsletter@thecommco.com.*

# Markets Rebound and Trade Tensions Ease

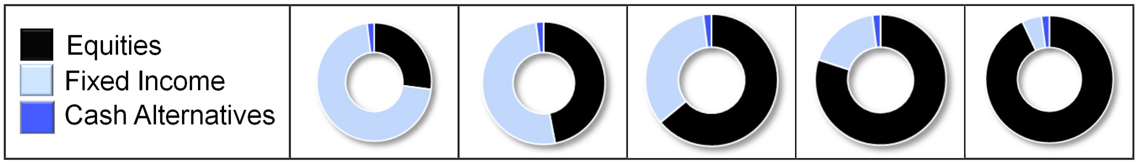
- The threat of further tariffs appears diminished in the near term, following the much anticipated meeting of President Trump and Chinese President Xi Jinping at the G20 Summit. It is unclear what the long-term implications may be, and no timeline was set for the next round of talks.
- On the domestic front, odds of a downturn have increased in Raymond James Chief Economist Scott Brown's view, but he still believes a recession isn't likely within the next 12 months. However, the inverted yield curve does signal an expectation that short-term interest rates will fall. For now, the Federal Open Market Committee has opted to leave short-term interest rates as is after its June policy meeting, as expected. Most Fed officials seem to agree that the case for a rate cut this year has strengthened.
- Following the first round of presidential debates by the Democratic candidates, several leading topics emerged – including health care policy, inequity in the tax code, antitrust scrutiny, climate issues and geopolitical challenges – which are likely to make headlines over the next year and potentially impact the market.

*Asset allocation models can be viewed online anytime at* ***thecommco.com***

*The investment profile is hypothetical, and the asset allocations are presented only as examples and are not intended as investment advice. Asset allocation and diversification do not assure a profit or protect against loss. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in small- and mid-cap stocks generally involves greater risks, and therefore may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.*

# Strategic Asset Allocation Models

As of July 2019




| | Conservative | Moderate | Balanced | Growth | Aggressive |
|---|---|---|---|---|---|
| **Equity** | **27%** | **47%** | **64%** | **80%** | **93%** |
| *Equity allocation comprises:* | | | | | |
| U.S. Large Cap Blend | 15% | 17% | 21% | 26% | 29% |
| U.S. Large Cap Growth | 0% | 4% | 6% | 8% | 9% |
| U.S. Large Cap Value | 0% | 4% | 6% | 8% | 9% |
| U.S. Mid Cap Equity | 2% | 5% | 7% | 8% | 10% |
| U.S. Small Cap Equity | 1% | 3% | 4% | 6% | 6% |
| Non-U.S. Developed Market Equity | 9% | 14% | 16% | 20% | 25% |
| Non-U.S. Emerging Market Equity | 0% | 0% | 4% | 4% | 5% |
| **Fixed Income** | **71%** | **51%** | **34%** | **18%** | **5%** |
| *Fixed income allocation comprises:* | | | | | |
| Investment Grade Intermediate Maturity | 56% | 42% | 28% | 15% | 5% |
| Investment Grade Short Maturity | 7% | 5% | 6% | 3% | 0% |
| Non-Investment Grade (High Yield) | 3% | 2% | 0% | 0% | 0% |
| Multi-Sector Bond | 5% | 2% | 0% | 0% | 0% |
| **Cash & Cash Alternatives** | **2%** | **2%** | **2%** | **2%** | **2%** |
| **Totals** | **100%** | **100%** | **100%** | **100%** | **100%** |

These asset allocation targets are based on our changing views of the risk and return in the various asset classes, looking out over three or more years. The models assume fully allocated portfolios and do not take into account outside assets, additional cash reserves held independent of these models, or any actual investor's unique circumstances. Investors should consult their financial advisor to decide how these models might assist in the development of their individual portfolios. Material is provided for informational purposes only and does not constitute a recommendation.

*Index definitions: The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The ICE BofAML 3-Month US Treasury Bill index consists of a single issue that is purchased at the beginning of the month and held for a full month. At month's end, that issue is sold and rolled into a newly selected issue, which is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. The selected issue must have settled on or before the month-end rebalancing date.*



the commerce company

Retirement & Investment Services

5440 SW Westgate Drive, Suite 110
Portland, OR 97221
thecommco.com

tel 503-203-8585
fax 503-203-8590
toll 800-203-8510



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For example, some older adults may struggle with accessing their financial information online. Others might get frustrated or confused when financial institutions implement new policies, especially if they've had an account with an institution for decades.

### Ways you can help

Regardless of the reasons why your parents might be having money problems, there are steps you can take to help them.

- Encourage your parents to meet with a professional to evaluate their financial situation. Consider attending the meeting with them so you can gain insight into, and possibly help them understand, the results of the meeting.
- Help them reduce spending. Look for big and small ways that they can scale back on expenses, such as downsizing to a smaller home, discontinuing cable TV plans, or canceling unnecessary memberships and subscriptions.
- If you've noticed behavioral or memory changes in one or both of your parents, share your concerns with a medical professional. Cognitive decline can result in difficulty managing finances.
- If you decide to help your parents financially, consider paying some of their expenses directly rather than giving them cash, so you can ensure their bills are paid on time.
- Help them apply for assistance. The National Council on Aging has a website, BenefitsCheckUp.org, which can help you determine your parents' eligibility for federal, state, and private benefit programs.